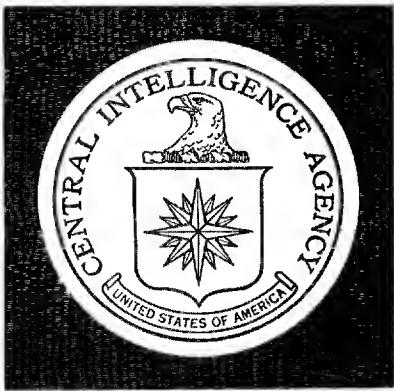


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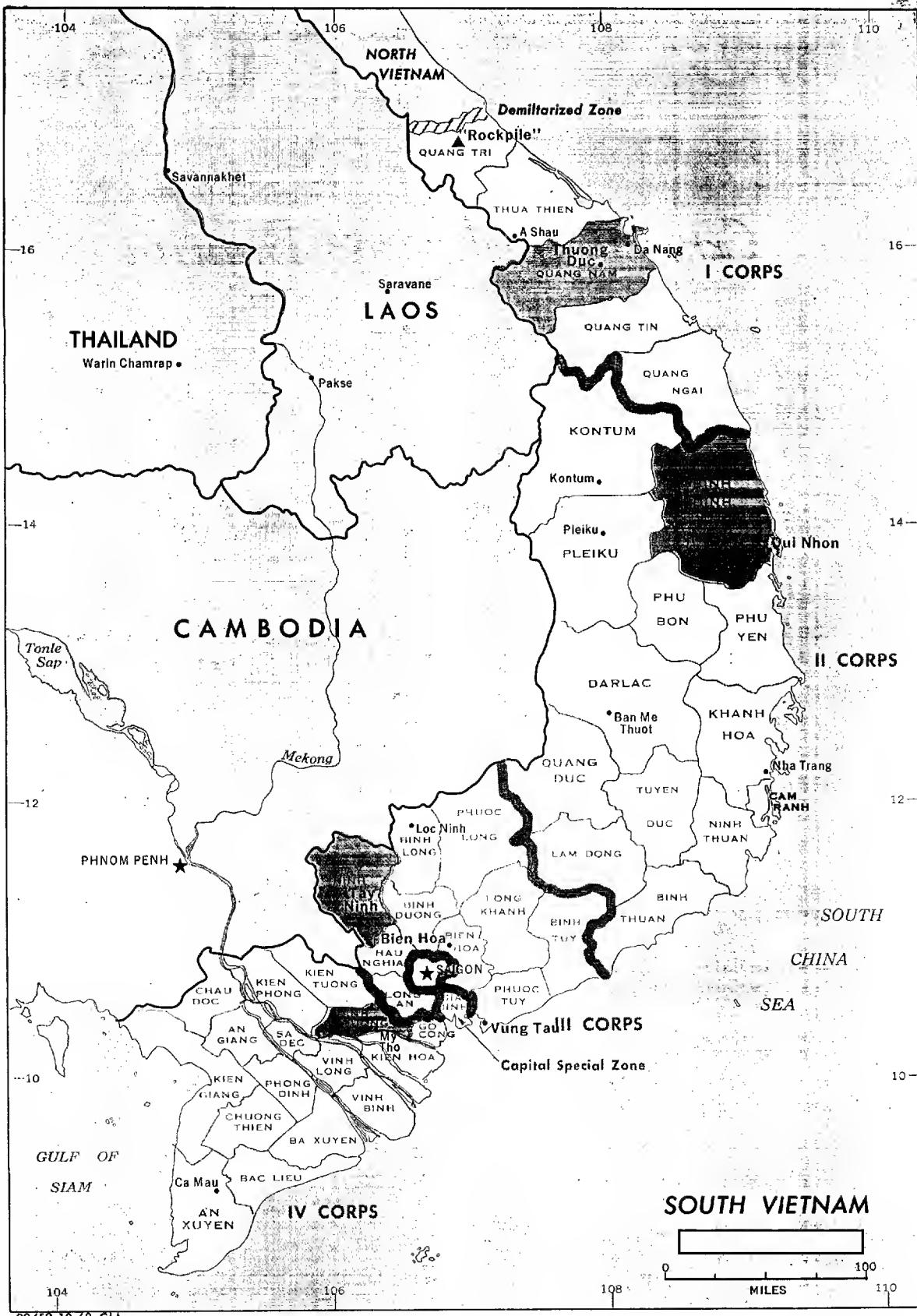
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C South Vietnam: The government has apparently decided to try to open the north-south railway between Binh Dinh and Binh Thuan provinces by the end of this year.

Since much of this railway passes through Viet Cong - controlled territory, it will be a formidable task requiring considerable resources. The value of the railroad from a strictly commercial or military standpoint seems somewhat limited, and it appears the government's plan stems mainly from a desire to enhance its prestige in these areas.

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In northern Phu Yen and in Binh Dinh Province, the railroad extends for about 30 miles through inhospitable and relatively unpopulated territory which is almost impossible to secure. During a recent three-week period, Viet Cong sappers twice sabotaged a section of track guarded by a Republic of Korea Army battalion. In Binh Thuan Province, the railroad traverses areas largely populated by Viet Cong sympathizers.

A number of key provincial officials in Binh Dinh and Binh Thuan provinces reportedly believe that the task of opening the railroad will tie down troops which could be better used on other missions. In Binh Dinh, for example, extensive agricultural lands might be made more secure for cultivation with the aid of troops now scheduled to guard the railroad. In this province, the railway and Highway 1 are parallel but separate and in order to have adequate security for both arteries additional Territorial Security Forces may have to be established. Binh Dinh's Regional Force troops may be spread especially thin, in view of the re-assignment of the 22nd Vietnamese Army Division from territorial defense to mobile operations.]

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In Binh Thuan Province, the Territorial Security Forces are now almost overextended in their present mission of securing populated areas around the provincial capital of Phan Thiet, and the additional burden of guarding the railroad could further weaken the capital's defenses. In Binh Thuan as in Binh Dinh, the railroad diverges from Route 1 for long distances.

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Czechoslovakia: The Czechoslovak party conservatives have been strengthened by the signing of the status-of-forces agreement with Moscow.

According to press reports, they have held a number of secret meetings throughout the country over the weekend. One in Kladno, at which 400 party "veterans" were said to be present, passed a resolution requesting that the regional party committee cooperate fully with the occupation command.

Other press reports suggest that another new "leader" has emerged. He is Miroslav Jodas, an Interior Ministry official during the Stalinist era, who reportedly has been heading a group trying to mobilize pro-Soviet elements in the party.

The resistance of Czechoslovak mass media appears to be fading in the face of Czechoslovak capitulation to Soviet pressures. Even the more outspoken Czechoslovak publications seem subdued, and so far have confined their criticism to the resurgence of conservative activity. All newspapers carried reports of the ratification of the status-of-forces agreement and a full text of the treaty, without comment. [redacted]

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EURATOM: The recently concluded contract for the sale of Canadian plutonium to France could have important consequences for US-EURATOM cooperation.

Although Canada presumably accepts the principle of EURATOM safeguards, the Canadian-French deal apparently does not pin down the key question of inspection. EURATOM and the US are agreed that continuous--or "resident"--inspection should be applied when any sizable quantity of plutonium is being processed into fuel elements. The French do not accept this. The arrangement thus could set a precedent that would jeopardize future deliveries of US fissionable materials to the Community in view of US requirements on inspection.

The deal would also weaken EURATOM's ability to give adequate assurances on safeguards to the international Atomic Energy Agency when negotiations ultimately take place on the verification procedures under the safeguards article of the NPT.

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[REDACTED] EURATOM's Supply Agency--which, under the EURATOM treaty, acquires and owns fissionable material within the Community--is not a party to the contract. The Commission of the European Communities is looking for a way to recognize the contract in return for France's dropping of its long-standing refusal to recognize the Supply Agency. Failing this, the Commission could take the matter to the Communities' Court Justice. If the issue remains uncontested, however, the de facto demise of the Supply Agency would affect US-EURATOM supply and safeguard arrangements as well as cast doubt on EURATOM's NPT role. [REDACTED]

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Communist China - Albania: China has agreed to extend additional economic and military aid to Albania, [redacted]

The agreement probably was arranged when an Albanian delegation went to China in September. The aid includes a chromium ore processing plant, ammunition factories, and 24 high-speed coastal patrol boats. The Chinese also agreed to extend for another three years the agreement for training Albanian officers in China.

Peking has been Albania's chief source of foreign aid since the early 1960s. Tirana has received a number of industrial plants and some naval craft and other equipment from China. [redacted]

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Japan - Communist China: Japan is seeking to extend its semiofficial Memorandum Trade with Communist China despite Chinese intransigence over long-standing disputes with the Japanese Government.

Such trade accounts for about a third of total Sino-Japanese trade. Japanese "friendly firms" carry on the rest of the trade with China, outside of Memorandum Trade channels.

A two-man trade delegation is now in Peking sounding out Chinese views on renewing the current agreement for 1969 and, if possible, for three to five years more. Formal negotiations on the future of this trade are expected to begin later this year.

Total Sino-Japanese trade has slipped steadily since the start of the Cultural Revolution, falling from \$622 million in 1966 to \$558 million in 1967. It was down another ten percent for the first two thirds of this year from the corresponding period last year.

China has been acrimonious in dealing with Japanese traders during this period, claiming that political differences with the Japanese Government have retarded trade prospects. These issues have not prevented growth of trade in the past, however. Political recriminations probably mask the underlying cause of the drop in trade during the past two years--the disruptive effects of the Cultural Revolution on the Chinese economy.

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Finland-USSR: The Soviets are urging President Kekkonen's Center Party to send representatives to Moscow for discussions with the Soviet Communist Party. They propose discussing European security, the German question, northern European politics, and future cooperation between the two parties. Although it is reluctant to do so, the Center Party leadership plans to send a delegation to Moscow. The trip is tentatively scheduled for mid-November. This would be the first formal contact between the CPSU and a western, non-socialist party, and it underscores Finland's special relationship with the USSR. [redacted]

* * * *

Indonesia: The government belatedly took action yesterday to stem anti-Chinese riots in the East Java capital of Surabaya. The riots, an outgrowth of Singapore's execution last week of two Indonesian marines, were led initially both by students and marines, including junior officers. Local authorities at first did little except seal off the main business district. The mob otherwise appeared to be free to go where it pleased until the army was ordered to disperse it by force and a curfew was imposed. [redacted]

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UN-Korea: A Soviet-inspired, sixteen-nation draft resolution calling for unconditional invitations to North and South Korea to attend the annual Korean debate has been tabled in the General Assembly's Main Political Committee. If the Committee decides to treat the matter procedurally, this proposal and the US-backed resolution to issue an invitation conditioned on North Korea's accepting the UN's authority to deal with the matter will probably be considered simultaneously. Alternatively, several delegations propose making the Korean question the first substantive item for consideration. This too would mean an early decision on the invitation and a better prospect for North Korea's attendance.

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